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Minnesota Housing Report

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Minnesota Housing Report

2nd Quarter, 1985

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The Minnesota Housing Report is compiled on the basis of monthly housing reports furnished to the Minnesota Real Estate Research Center at St. Cloud State University. Funding to permit preparation of the Minnesota Housing Report is provided by the Educational Foundation of the Minnesota Association of Realtors and St. Cloud State University.

The reports are supplied by eleven cooperating local real estate boards representing 66.5 percent of Minnesota's population. The boards represent various areas of the state and thus provide a picture of housing diversity between regions as well as housing trends within regions.

Information presented for the state or a particular region is based on actual listings of homes for sale, financing, size and sales of single family residential property. The figures presented are not adjusted for seasonal variation in real estate housing activity.

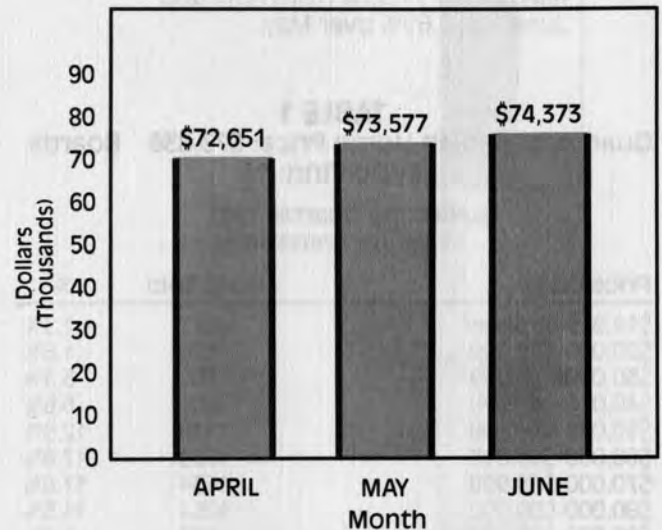


Statewide Activity Single Family Homes

The distribution of single family homes sold, by bedroom category, remained stable throughout the quarter. Homes with three bedrooms accounted for

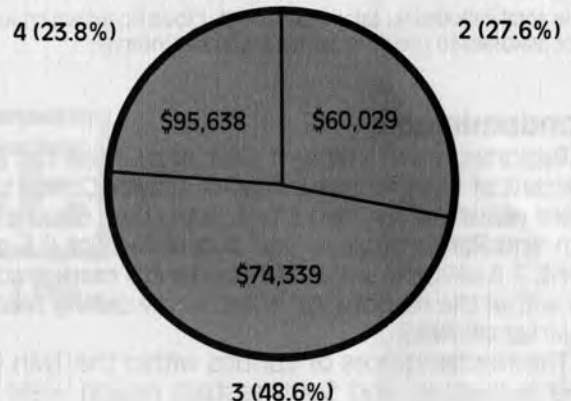
approximately 48.6 percent of the market while 4 or more bedroom homes make up 23.8 percent of the existing home market. The remainder of existing home sales are one or two bedroom properties and represent 27.6% of total sales. The distribution of sales

Statewide Activity Median Sale Price Trend



Statewide Activity Sales of Single-Family Homes

Median Price by Number of Bedrooms



by bedroom category is consistent within .1 percent of first quarter 1985 results.

The median price of "2 or fewer bedroom" properties was \$60,029 or \$85 less than first quarter, 1985. The median price of 3 bedroom properties increased from \$73,239 in the first quarter to \$74,339, an increase of 1.5 percent. Similarly the median price of homes with four or more bedrooms rose from \$94,822 to \$95,638, an increase of .8 percent.

The statewide median price across all home sizes and regions of the state was \$73,840 versus \$72,840 for January, February and March of this year. June median price of \$74,373 is up 3.4 percent over January's \$71,940.

As residential real estate moves into the prime buying/selling season of April through October unit sales generally increase. This year is proving no exception. Second quarter 1985 sales are up 37.65 percent over the first quarter. Month to month changes in unit sales are as follows:

February, up 11.10% over January
March, up 11.98% over February
April, up 33.28% over March
May, down 11.93% from April and
June, up 2.69% over May.

TABLE 1
Quarterly Median Home Price: \$73,836 Boards
Reporting: 11

Second Quarter 1985
Existing Home Sales

Price Class	Units Sold	%
\$19,999 or under	117	1.3%
\$20,000-\$29,999	150	1.6%
\$30,000-\$39,999	301	3.3%
\$40,000-\$49,999	605	6.6%
\$50,000-\$59,999	1149	12.5%
\$60,000-\$69,999	1630	17.8%
\$70,000-\$79,999	1634	17.8%
\$80,000-\$89,999	1054	11.5%
\$90,000-\$99,999	587	6.4%
\$100,000-\$119,999	679	7.4%
\$120,000-\$139,999	429	4.7%
\$140,000-\$159,000	234	2.6%
\$160,000-\$179,999	175	1.9%
\$180,000-\$199,999	104	1.1%
\$200,000-\$249,000	115	1.3%
\$250,000 and over	97	1.1%
	9158*	100.0%

*The total includes 98 sales from the St. Cloud Board which were not assigned to their respective price class intervals.

Condominiums

Reported condominium sales accounted for 2.18 percent of total statewide market activity. Condo sales were reported for Twin City & Suburban, Southeastern and Range regions and accounted for 9.5 percent, 7.6 percent and 8.1 of residential market activity within the responding board's area during second quarter of 1985.

The median prices of condos within the Twin City and Suburban, and Southeastern region were re-

spectively \$74,808, up 5.6 percent, and \$48,213, down 8.2 percent, over first quarter, 1985.

Time on the Market

Median time on the market for existing single-family homes sold during the quarter was 57.4 days, down 12.3 days from first quarter performance. For April, time on market was 55.8 days which reduced the time needed to sell 1.8 percent over March's 56.8 days. May median time on market jumped 10.4 percent over April, while June's 55.9 days was 9.3 percent less than May.

Of residential properties sold 52.4 percent sold in 60 days or less during the quarter. In April 53.5 percent, May 49.8 percent and June 53.7 percent of homes sold, sold in 60 or fewer days after listing. During the first quarter of this year 46.6 percent of properties sold within 60 days.

Homes sold in 120 days or more were 27.7 percent of the market in April, 25 percent in May and 22.5 percent in June. During the first quarter 30.7 percent of homes sold had been on the market 120 days or more.

This bimodal distribution indicates that if a home does not sell within 60 days of listing, it will likely take 120 or more days to obtain a sale. The data also indicates that the market focuses its primary interest and effort on new rather than old listings. This trend accelerated during the second quarter with older listings having a declining market share.

Unsold Housing Inventory Index

Residential housing sales is a highly seasonal activity. Between the months of April and October, 70 percent of each year's residential transactions are completed. The inventory of unsold homes, relative to actual sales, is highest during the slow selling months of November thru March.

The "unsold inventory index" measures the number of months it would take for all currently listed residential units to sell at the existing month's sales volume.

For April, 1985, participating boards had an unsold inventory of residential property equal to 6.54 months supply, a decrease of 25.7 percent over March. By May the unsold housing inventory index stood at 7.37, an increase of 12.66 percent. In June the index increased 7.59 percent to 7.92 months supply of unsold homes.

Generalizing, the lower the unsold inventory index the stronger the housing market. Comparing the first and second quarters of the year, the index in the second quarter averaged 7.28 months, a decrease of 26 percent over first quarter's 9.18 months supply of unsold homes. A modest decline in the index is forecast for the third quarter of 1985.

Financing Characteristics

The strength of a housing market is also reflected in the type of financing used to purchase residential property. High levels of contracts for deed and as-

sumption of pre existing loans is associated with weaker housing markets. Strong markets rely primarily on Conventional and FHA insured mortgage loans. Changes quarter to quarter, in the type of financing used indicate a weaker, stable or stronger housing economy.

During the second quarter of 1985 the use of conventional mortgage loans accounted for 21.2 percent of financing and FHA/VA - insured/guaranteed loans 35.7 percent of mortgages used to purchase residential property. These sectors of the mortgage market increased from 49.2 percent in the first quarter to 57.9 percent of total financing in the second quarter.

Quarter to quarter, assumption of pre-existing loans declined from 16.8 to 15.2 percent while the use of contracts for deed also declined during the quarter from 13.1 to 11.8 percent of total financing. Cash sales, however, increased from 5.5 to 6.3 percent of residences purchased.

Affordability Index

Current lending requirements for the Federal National Mortgage Association state that a family with a 30 year, fixed interest rate mortgage making a 20 percent down payment spend no more than 25 percent of gross income for housing payments (principal and interest). Using a statewide weighted average median family income for the reporting regions (\$29,281), a median priced existing home (\$73,840) and the average interest rate (12.75%) prevailing during the second quarter of 1985 a measure of affordability may be calculated.

During the second quarter a median income family had 95.1 percent of the income necessary to qualify for the purchase of a median priced existing home. This compares with an affordability index of 93.0 for first quarter, 1985. The increase in affordability from first to the second quarter may be attributed to a decline in average interest rates.

Region 1—Range

For the Range portion of the state second quarter existing home sales were up 146 percent over the first quarter of 1985. Month to month, April was up 105 percent over March. May sales increased 45 percent over April and June purchases topped May by 9.3 percent.

The median sales price for existing homes during the quarter was \$38,693, up 16.7 percent over the first quarter median price of \$33,148. Sales of two or fewer bedroom homes continue to represent over 30 percent of the housing market.

Median time on the market was 126.1 days versus 127.6 days during first quarter, 1985. Homes "on the market" for over 120 days represent 64 percent of total sales in the first quarter and 60 percent in the second quarter.

The unsold housing inventory index decreased dramatically from 60.4 months supply of unsold homes to 21.5 months supply. This is attributable to a moderate decline in property available for sale and

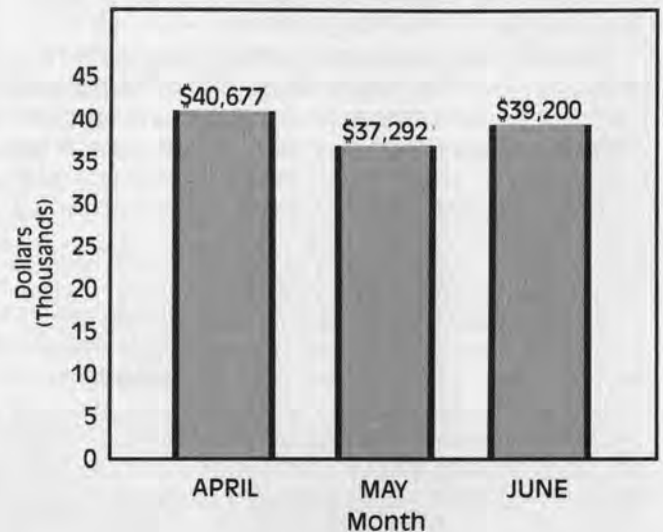
a substantial increase in homes sold during the second quarter.

Contracts for deed continue to be the most important source of financing accounting for 38.3 percent of units sold, up from 35.2 percent in the first quarter. Interestingly cash purchases are reported for 11.1 percent of sales, down from 15.6 percent last quarter.

A meaningful determination of the affordability index cannot be made at this time.

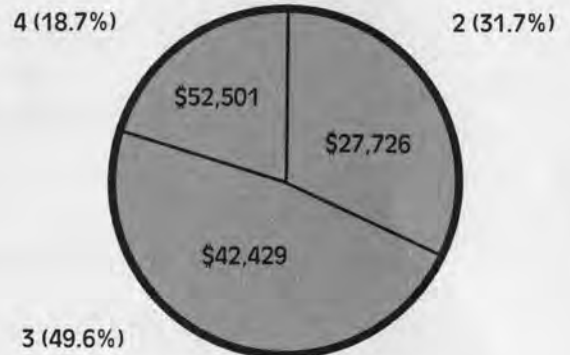
Participating Boards: Duluth, Itasca and Range Counties: St. Louis, Itasca, S.W. Lake Co.

Range Region Median Sale Price Trend



Range Region Sales of Single-Family Homes

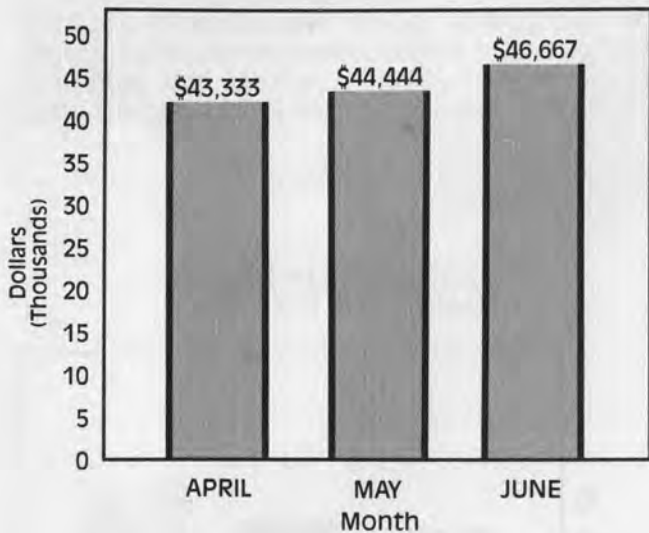
Median Price by Number of Bedrooms



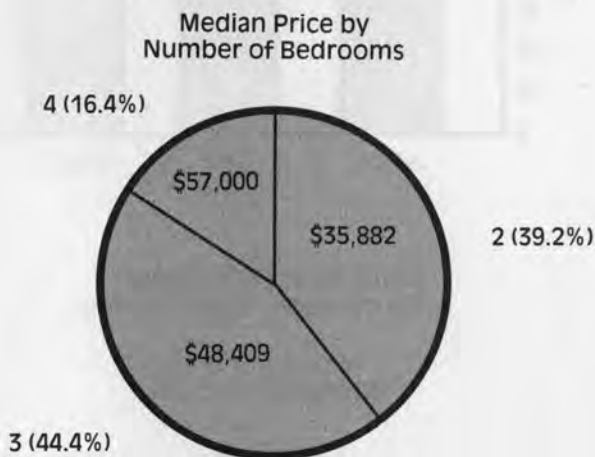
Region 2—Lakes

Existing home sales in the Lake Region during the second quarter increased 72 percent over the first quarter. Month to month, April sales were down 18 percent from March. May closings rebounded sharply and were up 196 percent over April while June sales

Lakes Region Median Sale Price Trend



Lakes Region Sales of Single-Family Homes



dropped 19 percent from May.

The median sales price for existing homes in the second quarter was \$44,872 compared to the first quarter's median price of \$43,235. Two bedroom homes comprised 39 percent of existing home market in the second quarter and 41 percent during the first quarter. This is partially attributable to sales of smaller homes used for seasonal-recreational purposes.

The median time on market decreased from 124.0 days to 121.3 days. Listing over 120 days old represented 55 and 50 percent of completed sales respectively in the first and second quarters of this year.

The unsold housing inventory index stood at 26.3 month supply of unsold homes, down from 36.6 months at the end of the first quarter.

In this market, seller provided contracts for deed represent the largest single source of financing for home buyers. Contracts for deed accounted for 43.6 percent of financing during the second quarter, down slightly from 49 percent for the first three months of this year.

The housing affordability index for the quarter is 98.1, down from 98.2 last quarter.

Participating Boards: Brainerd, Lake Region
Counties: Crow Wing, Otter Tail and Grant

Region 3—Twin City & Suburban

The Twin City and Suburban real estate market is the most active in Minnesota. Single family residential sales increased 34 percent over sales in the first quarter of this year. Condominium sales were up 56.5 percent.

Declining interest rates stimulated home sales in April, sales completed were up 29.1 percent over March. May activity dropped 12.7 percent from April, while June bounced back with a 3.8 percent increase in unit sales over May.

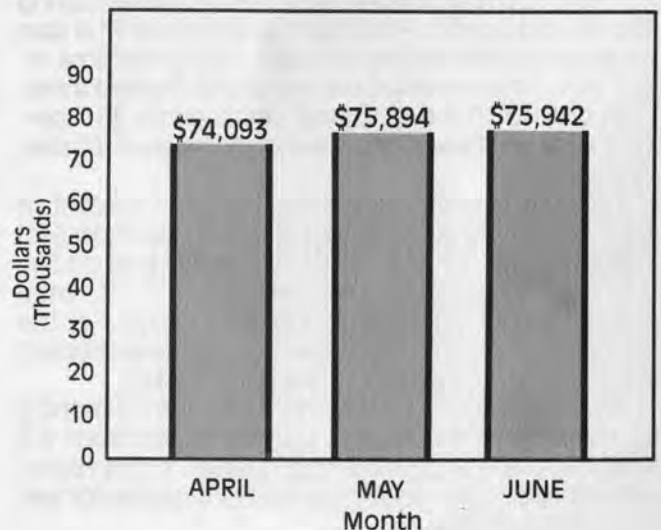
The median sales price increased modestly each month during the quarter and for the quarter was \$75,228. The median sales price for June finished at \$75,942, up 2.76 percent over January's \$73,904. Forecasting, if these increases continue for the balance of the year housing prices will have increased 5 percent during 1985.

Time on the market for the quarter dropped 14.7 days to 53.2 days from first quarter's 67.9 days median time from listing to sale. Homes sold within 60 days of listing accounted for 55.4 percent of total sales during the quarter. In contrast with other regions of the state the metro area is enjoying a strong economic recovery and housing market.

The unsold housing inventory index declined from first quarter's 8.96 months to 6.94 months supply of unsold homes, a drop of 22.5 percent. A low and declining housing inventory index is indicative of a strong, price-stable housing market.

Of units reported sold, 30 percent obtained FHA mortgage insurance, 20 percent conventional mortgages, 15.8 percent assumed pre existing loans and 10.1 percent of sales were financed with a contract for deed. These results are consistent with financing

Twin-Cities & Suburban Region Median Sale Price Trend

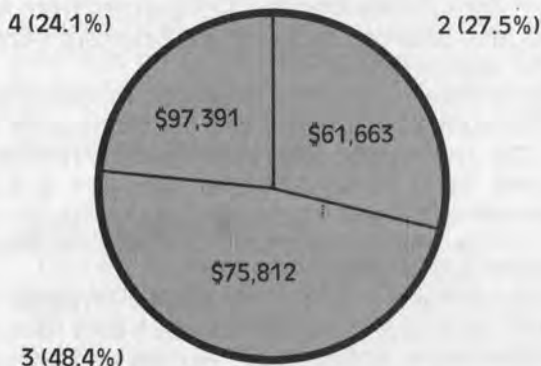


home purchases during the first quarter.

Median condominium prices were \$74,808. The affordability index for condominiums was 99.4 for the quarter while the index was 98.9 for single family homes on private sites. During the first quarter the condominium affordability index was 112.4 and for single family homes affordability was 96.8.

Twin-City & Suburban Region Sales of Single-Family Homes

Median Price by
Number of Bedrooms



Region 4—Southeastern

For the Southeastern region of the state, second quarter sales of single family detached homes increased 37.3 percent; condominium units sold, however, declined 25.0 percent. Month to month, April home purchases were up 28.6 percent over March, May sales dropped 4.3 percent from April and June closings were 8.4 percent below May.

The median sales price for existing homes declined in the second quarter to \$59,658 from \$62,611. This result is not unexpected when interest rates decline; buyers at the margin of affordability are attracted to the market and they purchase smaller less expensive housing. Similarly median condominium prices for reported sales declined from \$52,500 to \$48,213.

Median time on market increased modestly during the second quarter. For single family homes 51.8 days expired between listing and sale. Condominiums required a longer market exposure and needed a median time of 71.4 days to sell. Significantly, 35.7 percent of single family sales were on the market 30 days or less.

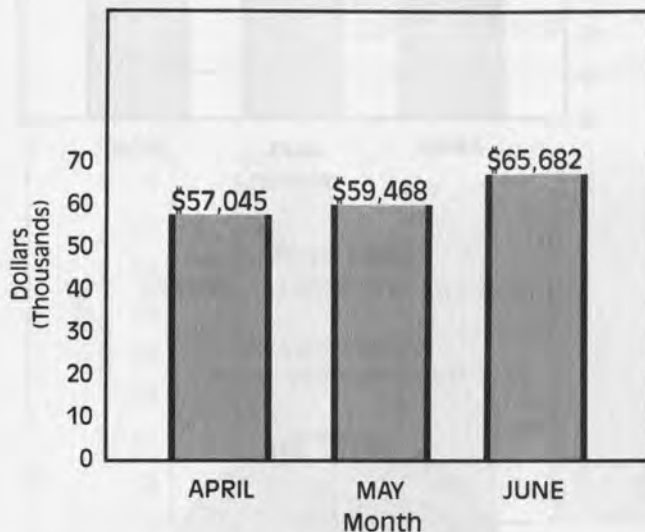
The Southeastern region financed 45.1 percent of total sales using conventional financing, up from 34.5 percent in the first quarter. Contracts for deed (11.5%) and assumption of pre existing loans (11.1%) were the next most significant sources of funds. For the second quarter in a row, FHA mortgages accounted for less than 10 percent of the total market.

The unsold housing inventory index was 7.5 months at the end of the second quarter, down from 8.0 months at the end of the first quarter. In this region of Minnesota sales relative to homes available for sale has remained steady.

The affordability index for the quarter increased to 120.4. the condominium affordability index also increased to 144.0. Caution should be exercised in interpreting these figures. They are a result of sales of less expensive homes to first time and lower income buyers in a region with a relatively high median income. This distorts and tends to overstate actual housing affordability.

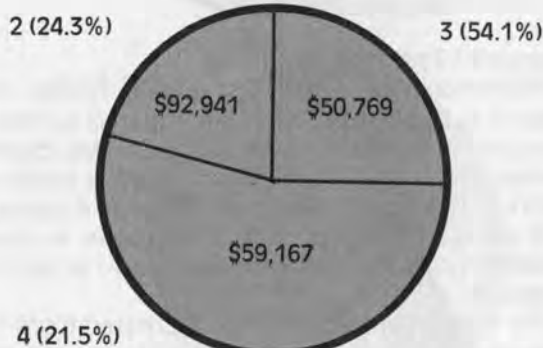
Participating Boards: Rochester Area
Counties: Olmstead

Southeastern Region Median Sale Price Trend



Southeastern Region Sales of Single-Family Homes

Median Price by
Number of Bedrooms



Region 5—Central

For Central Minnesota, data is only available bi-monthly and should be compared with other regions in the semi annual and year end housing reports.

The median price for units reported sold during March/April was \$60,424. Time on market during the period was 122 days for two bedroom homes, 111 days for 3 bedrooms and 107 days for 4 bedroom

homes. The weighted average time on market was 112 days, down from 119 days in January/February.

Conventional (31.6%) and FHA insured (21.4%) mortgage loans were the predominant means of financing home purchases. Contracts for deed and assumption of pre existing loans provided financing for an additional 32.6 percent of transactions.

The affordability index for the two month period for the four county area is 95.2.

During the May/June period the median price for units reported sold was \$58,006, a decline of 4 percent from the prior two month period. Time on market during May/June for two bedroom homes was 106 days, for three bedroom 118 days and 180 days for four bedroom homes.

The weighted average time on market was 131 days, up from March/April's 112 days and January/February's 119 days.

Conventional (29.8%) and contract for deed (23.8%) financing were the predominant means of borrowing for home purchases. FHA insured and VA guaranteed mortgage loans represent 14.9 percent of the market. Assumption of pre existing loans occurred in 13.1 percent of purchases. Cash purchases were 13.7 percent of the market.

Based upon average sales in the two month period the unsold housing inventory index was 10.8 months, down significantly from 18.6 months during February/March and 62.5 months during January/February. These decreases are primarily attributable to increased sales rather than a declining number of properties for sale. Respectively March/April's sales were 350 percent greater than the prior period. May/June increased 71.4 percent over March/April.

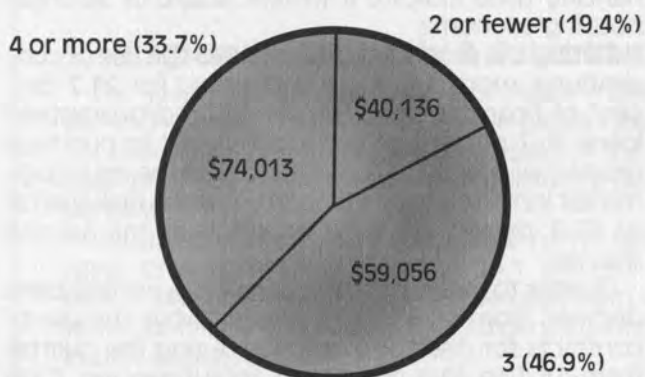
The housing affordability index increased to 99.4 from 95.2 during March/April.

Participating Boards: St. Cloud

Counties: Stearns, Benton, Sherburne, Wright

Central Region March/April

Average Price by Home Size (# bedrooms)



Central Region May/June

Average Price by Home Size (# bedrooms)

